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SUBJ: ISRAEL'S WATER POLICY OPTIONS DEBATED

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11. (SBU) SUMMARY. Israel is debating options on dealing with its critical water shortage. Until new and greater supply comes on-stream from desalination plants in 2009, the choice is essentially how to share the pain. Agriculture, the biggest user by sector, is unlikely to shoulder the bulk of the hardship. Consumer and commercial users will see fees rise and public use of water will be sharply curtailed. Israel's current 350 million cubic meter (mcm) shortfall would largely have been filled had GOI plans in 2001 to build more desalination capacity been acted upon. Finger-pointing on who dropped the ball continues, while Water Authority management claims it has the situation in hand. End Summary.

Few Pleasant Options  
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12. (SBU) Israeli government and society are debating measures to address the country's critical water shortage that post outlined previously (reftels). The Israeli Water Authority (IWA) expects Lake Kinneret to reach its lowest level ever next year, while both mountain and coastal aquifers will drop beneath red-line levels over the next two years, resulting in increased - and likely irreversible - salinity. Reports from the Palestinian Water Authority claim this is already occurring in Gaza, and an IWA water quality expert confirmed last week that only 40 percent of Israel's coastal aquifer now yields good quality water.

13. (SBU) On April 13 the Director General of the IWA, Uri Shani, presented an emergency water program to GOI cabinet ministers. It consisted essentially of persuading the public to economize on water use, raising water prices to all users, and rationing water for some private uses. Supply will be cut altogether for public venues such as boulevard medians and municipal parks, which IWA estimates use 140 mcm annually. Overall supervision will be tightened and a close watch kept on consumption. A maximum use ceiling will be set for agriculture, and financial resources will be spent to expand the facilities for treating sewage water into "greywater" useable for agriculture. The cost of the whole program would be about NIS 1.5 billion (US\$ 425 million).

14. (SBU) Some of the measures debated in the Cabinet evoked protests from ministers who believe their sectors are being disproportionately harmed. Agriculture Minister Shalom Simchon defended his sector's large share in water consumption (60 percent). Although agriculture is the largest single user of water distributed in Israel, the use of treated wastewater accounts for a large share of this. Israeli agriculture uses over 1.2 billion cm of water annually, but in the past two decades has moved from using mostly fresh water to using a majority of treated wastewater; in 2007 farmers used 615 mcm of greywater versus 565 mcm of freshwater.

Shani's plans allocate 454 mcm of freshwater to agriculture in 2008 - only 40 percent of the fresh water agriculture drew 20 years ago. While Israeli agriculture uses about the same total amount of water as thirty years ago, it is twelve times more productive with it. Simchon suggested industry and other fast-growing water users are more to blame than agriculture for Israel's water deficit.

#### Present Realities

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15. (SBU) Opponents of high allocation to agriculture note that agriculture now accounts for only 2 percent of Israel's GDP, and thus does not merit such a large share of this precious resource. The majority of Israel's US\$44 billion in export earnings are technology driven today, and some believe keeping high-tech workers productive is a wiser investment than exporting melons. Minister Simchon and others say the answer is to increase supply, not just suppress demand, and propose that each Mediterranean coastal town be obliged to build desalination plants within its municipal boundaries to supply water to residents of the town. He believes municipalities can supply water cheaper than the national water company Mekorot by attracting Build-Operate-Transfer (BOT) facilities erected by private investors who sell the desalinated water for a fixed period of years to pay off their investment before ownership of the desalination facility is transferred to the city. Water supply beyond what the city needs would be sold to Mekorot at fixed rates for distribution elsewhere in Israel.

16. (SBU) The IWA office charged with demand management told ESTOff privately it is fine-tuning the action program, which will include sharply higher fees for all users, cut-backs on allocations of water by sector, and several outright bans on use. Fees per cubic meter of water supplied to private consumers will rise by over 16 percent, water to industrial and commercial users by over 10 percent, and agriculture by only 2 to 3 percent. When asked why agriculture,

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which already enjoys preferentially lower cm rates, receives such favored treatment, IWA officials responded there are political as well as economic purposes to land development. While "making the desert bloom" is part of the cultural ethos of Israel, working the land is also statement of ownership and possession.

#### In Regional Perspective

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17. (SBU) Despite its many problems, Israel's water situation looks better than that of its neighbors, whose needs will also impact on Israeli water availability. Israel transferred almost 40 mcm of water to PA areas in 2007. Palestinians on average consume about one quarter the amount of water Israelis do, and water sources within Palestinian areas are generally less reliable, leading to greater demand to import water from Israel. Although Israeli and PA Water Authorities have discussed sharing desalinated water resources, the political vulnerability of this does not make it an attractive option to either side, either from reliability of supply or reliability of payment perspectives. Estimates of inefficiency and leakage in the PWA distribution system range up to 45 percent. The IWA confirms that Israel will transfer 35 mcm to Jordan in 2008, in accordance with Israel's commitment under the terms of the 1994 peace treaty with Jordan. Amman faces greater hardship than Israel, according to reports, having received only 57 percent of the average annual rainfall this past winter. Amman itself needs 100 mcm for the year, but expects to have only 70 mcm available.

18. (SBU) Comment: Measures taken by Israeli authorities to address the current water situation, even though domestically targeted, are unlikely to avoid impacting Israel's water policy toward the Palestinian Authority. The GOI may face increasing domestic pressure to curb exports, while being pressed by the PA and donors to share its growing desalination capacity.

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